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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, FEBRUARY 7, 2002

APPLICATION OF

VIRGINIA NATURAL GAS, INC.

CASE NO. PUE010307

For an Annual Informational
Filing for the test year
ending September 30, 2001

ORDER GRANTING WAIVER

On January 28, 2002, Virginia Natural Gas, Inc. ("VNG" or "Company"), filed its Annual Informational Filing ("AIF") with the State Corporation Commission ("Commission") for the twelve months ending September 30, 2001. In a letter filed with its AIF, VNG requested the Commission to grant it a waiver of 20 VAC 5-200-30 A 9 and 20 VAC 5-200-30 B 2 of the Commission's Rules Governing Utility Rate Increase Applications and Annual Informational Filings ("Rules"). Among other things, these Rules require an applicant, in developing its rate of return statement, to make adjustments to its test period jurisdictional results only in accordance with the instructions accompanying Schedule 17 found in the Appendix to the Rules. Specifically, VNG requested a waiver of the portion of the Rules requiring it to submit ratemaking adjustments in Schedules 12 and 17 of its current AIF to reflect an amortization of costs incurred by

VNG's parent company, AGL Resources, Inc. ("AGLR"), as part of the total costs of acquiring VNG.

In support of its request for waiver, VNG maintains, among other things, that VNG was sold for a price that was greater than book amounts. VNG represents that its AIF reflects costs that have been recorded on the Company's books and records for the twelve months ending September 30, 2001, but does not reflect amounts recorded in goodwill accounts that reside on the generally accepted accounting principles ("GAAP")-based financial statements of VNG. VNG reasons that the measures of earnings based on VNG financial statements exclusive of the impact of the acquisition may lead to distortions in earnings since certain costs are included in goodwill, and not in the earnings of VNG. VNG acknowledged that a grant of its waiver request does not imply Commission endorsement of the ratemaking adjustments proposed by the Company.

NOW THE COMMISSION, having considered the Company's request and having been advised by its Staff, is of the opinion and finds that the Company's letter request should be treated as a motion, and that VNG should be granted a waiver of Rule 20 VAC 5-200-30 A 9 and 20 VAC 5-200-30 B 2 for this case alone. The waiver granted herein does not constitute the acceptance or adoption of any of VNG's adjustments to its cost of service.

Accordingly, IT IS ORDERED THAT:

(1) VNG's January 28, 2002, request for a waiver of Rules 20 VAC 5-200-30 A 9 and 20 VAC 5-200-30 B 2 is granted.

(2) This matter is continued pending further order of the Commission.